Vijaykant Dairy and Food Products Limited

July 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	41.40	CARE BBB-; Stable	Assigned
Long-term / Short-term bank facilities	8.60	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Vijaykant Dairy and Food Products Limited (VDFPL) derive strength from its experienced promoters, established brand presence under "Adityaa Milk", diversified product profile with long standing relationship with farmers. The ratings also factor in VDFPL's moderate profitability, comfortable financial risk profile, adequate liquidity position, and the favourable growth outlook for the Indian dairy sector, especially in value-added segments.

The ratings However constrained by VDFPL's moderate scale of operations, debt funded proposed capex plan, exposure to intense competition from large private players, cooperatives, and the unorganised sector. The ratings also factor in risks associated with volatility in raw milk prices, regulatory interventions, and the seasonal nature of operations, which contribute to working capital intensity.

CARE Ratings Limited (CareEdge Ratings) also factors in VDFPL's strategic decision to re-enter the ice cream business under its own brand "King Ice Cream" post the termination of its manufacturing contract with Hindustan Unilever Limited (HUL) in August 2024. The Success of this venture and the timely completion of the capex, including the receipt of the proposed MoFPI subsidy, will remain key rating sensitivities.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in scale of operations above ₹370 crore with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 5.4%.

Negative factors

- Decline in scale of operations below ₹280 crore and/or decline in PBILDT margin below 4%.
- Any Large debt funded capex or working capital requirement or draw down of capital leading to overall gearing above 1x.

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook reflects CareEdge Ratings expectation that the company will continue to benefit from its experienced promoters and established brand.

Detailed description of key rating drivers:

Key strengths

Established track record and strong brand recall in Northern Karnataka

VDFPL, established in 2004, has over two decades of experience in the dairy industry. The company markets its products under the brand name 'Adityaa Milk'. Following the demise of its former managing director, Mr. Shivkant Sidnal, in April 2024, the company is now led by Mrs. Deepa Sidnal, who has over two decades of experience in the dairy segment. Her son, Mr. Vijaykant Sidnal, is actively involved in marketing and operations. Additionally, The board is chaired by Mr. Vijay Sankeshwar, chairman of VRL Logistics Limited, lending strategic oversight. In August 2024, VDFPL re-entered the ice cream business by launching its proprietary brand "King Ice Cream", further expanding its value-added product portfolio.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Moderate profitability with comfortable financial risk profile

VDFPL's profitability remained moderate, with a PBILDT margin of 4.83% in FY25 (provisional) as against 2.25% in FY24, reflecting year-over-year (y-o-y) improvement of 258 bps primarily driven by the termination of the contract manufacturing arrangement with HUL, which led to lower overhead costs and increased focus on direct sales of ice cream under the company's own brand. The company's capital structure of the company remained comfortable, as marked by an overall gearing of 0.26x as on FY25 end (provisional) compared to 0.36x as on FY24 end. VDFPL's debt coverage indicators remained healthy marked by PBILDT interest coverage of 7.75x for FY25 (FY24: 3.22x) and total debt to gross cash accrual (TD/GCA) of 1.75x in FY25 (FY24: 4.74x).

However, the capital structure is expected to moderate going forward due to the proposed debt-funded capex in FY26. Furthermore, The company's policy of regular dividend payouts may impact internal accruals and gearing levels, and will remain a key monitorable from a credit perspective.

Diversified product portfolio with strong relationship with farmers and distributors

VDFPL has a diversified product profile under the dairy segment, including milk, ice cream, curd, buttermilk lassi, ghee, butter, paneer, sweets and cream. Additionally, The company is engaged in trading of cattle feed, flavoured milk and offer allied services such as cold rooms (rent), transportation and other logistics support to its customers.

The company procures milk from over 2000 villages near its plant location through over 10 chilling centres and 1400 agents. This well-established procurement model ensures timely and adequate raw milk availability, reducing supply chain risks. On the distribution side, VDFPL has over 300 distributors for milk and other products and over 100 distributors for ice cream.

Favourable dairy industry growth prospects over the medium term

India has been the leading producer and consumer of dairy products worldwide since 1998 with sustained growth in the availability of milk and milk products. India's dairy industry is expected to witness revenue growth driven by robust demand, increasing popularity of value-added products (VAP), and rising milk prices at the retail level. Further, Profitability is also expected to improve with better realisations, healthy milk supply and favourable shift towards higher margin products. The dairy industry will also benefit from a favourable monsoon forecast, stable fodder prices, and increased adoption of artificial insemination to boost productivity, ensuring steady availability of raw milk and limiting the increase in procurement prices.

Key weaknesses

Moderate scale of operations

VDFPL's scale of operations remained fluctuating over the last five years with total operating income (TOI) declining by ~20% to ₹305.13 crore in FY25 from ₹383.48 crore in FY24 majorly due to termination of contract manufacturing agreement with HUL and decline in sales realisation. The company shifted focus towards selling ice cream under its own brand, which led to a decline in volume. Additionally, the Demise of the erstwhile managing director in April 2024, further impacted operations in FY25. However, with the recent brand consolidation and direct sales strategy, TOI is expected to improve, driven by the expanding footprint of its ice cream brand.

In terms of segment contribution for FY25, milk sales contributed ~53% of the TOI (FY24: 43%), followed by ice cream sales at ~14% (FY24: 28%), curd at ~11% (FY24: 9%), and paneer at ~6% (FY24: 2%). However, revenue remains geographically concentrated, with Karnataka contributing ~85% of the total TOI, exposing the company to regional demand risks.

Proposed debt funded capex

VDFPL is setting up the milk processing facility of 100,000 litre per day (LPD) milk and other products at its existing plant location, with total project cost of ₹45.70 crore. The project is proposed to be funded through term loan of ₹20 crore (in principle approval for term loan received), ₹10 crore subsidy from Ministry of Food Processing Industries and remaining ₹15.70 crore from promoters' contribution. The plant is expected to be operational from April 2026. Further, Timely receipt of subsidy will remain a key rating monitorable.

Intense competition from large private players, cooperatives, and the unorganised sector

The dairy industry faces intense competition from large private players, cooperatives, and the unorganised sector. Private players leverage advanced technology, established brands, and strong marketing networks; cooperatives benefit from robust local procurement channels and government support, while the unorganised sector competes with low costs and prices. This dynamic forces companies to constantly innovate and improve efficiency to retain market share.

Seasonal nature of operations

Due to India's tropical climate, causes milk production remains seasonal, with a flush season during cooler months (November-April) and a reduced output during warmer months. To ensure uninterrupted supply, surplus milk during the flush season is processed in products such as ghee, milk powder, and butter. The wedding season (January-June) boosts demand for these products, increasing working capital needs and resulting elevated gearing level at the year-end.

Exposure to raw milk price volatility and regulatory risks

The company remains exposed to fluctuations in prices of key raw materials such as milk and sugar, which are agro-based and seasonal in nature. Additionally, The dairy sector is highly regulated, with government interventions in procurement prices, subsidies, and export/import policies, which can impact cost structure and profitability.

Liquidity: Adequate

VDFPL's liquidity remained adequate marked by sufficient GCAs against the scheduled debt repayments and low utilisation of working capital limits. VDFPL has free cash and bank balance (including free FD's) of ₹5.77 crore as on FY25 end (FY24: ₹7.87 crore). VDFPL has generated GCAs of ₹13.83 crore in FY25 (FY24 – ₹6.81 crore) against that there is scheduled debt repayment of ₹3.38 crore for FY26. Further, Cash flow from operations remained at ₹24.03 crore for FY25 (FY24: ₹6.92 crore). Further, VDFPL's average working capital utilisation for last 12 months ended May 2025 remained low at 15% which provides liquidity cushion to the company; however, it peaks at ~75% in flush season. Further, VDFPL's current ratio stood at 1.84x (FY24: 1.37x) and quick ratio stood at 1.00x (FY24: 0.81x) for FY25.

Environment, social, and governance (ESG) risks – Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Food products	Dairy products

Vijaykant Dairy and Food Products Limited (VDFL), established in 2004, processes milk and produces dairy items such as paneer, butter, ghee, curd, and ice cream. Its products are marketed under the brand name 'Adityaa Milk'. The company's manufacturing plant is in Belgavi, Karnataka, with an annual capacity of 427.05 lakh litres of milk and 225 lakh litres of ice cream.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	383.48	305.13
PBILDT	8.61	14.75
PAT	-3.92	3.04
Overall gearing (times)	0.36	0.26
Interest coverage (times)	3.22	7.75

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.00	CARE BBB-; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	8.60	CARE BBB-; Stable / CARE A3
Term Loan-Long Term		-	-	31-12-2032	26.40	CARE BBB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Term Loan-Long Term	LT	26.40	CARE BBB-; Stable				
2	Fund-based - LT-Cash Credit	LT	15.00	CARE BBB-; Stable				
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	8.60	CARE BBB-; Stable / CARE A3				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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